Ohio's Jobs Budget 2.0

Jobs. Momentum. Transformation.

Budget Highlights

The State of Ohio Executive Budget
Fiscal Years 2014-2015

Governor John R. Kasich

Office of Budget and Management
Director Timothy S. Keen

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Jobs • Momentum • Transformation

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February 4, 2013

JOHN R. KASICH
GOVERNOR
STATE OF OHIO

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Fellow Ohioans and Members of the General Assembly:

The Executive Budget I present to the General Assembly today is framed against a much brighter backdrop than Ohio faced just two years ago. Coming into that biennium, Ohio faced an historic $7.7 billion fiscal imbalance and a sputtering economy that landed Ohio nearly dead-last in job creation. As a result of our decisive action, however, we prevented Ohio's collapse and have gotten our state back on track. Things are dramatically better today.

A strong commitment to fiscal restraint put Ohio's budgetary house in order, and in the past two years Ohio reduced non-Medicaid spending from the General Revenue Fund (GRF) by 0.5 percent. Additionally, state agencies have seen staff levels reduced by 8.1 percent without hindering the delivery of services to Ohioans. These and other improvements helped Ohio cut taxes by approximately $800 million by eliminating the Estate Tax and cutting income taxes.

Now, thanks to this new, transformative direction Ohio has taken – together with the additional reforms in our state's first-ever Mid-Biennium Budget Review – Ohio is regaining its economic competitiveness. We are one of the nation's top job creators, our unemployment rate is more than a full percentage point less than the national rate and responsible budgeting has allowed us to rebuild the state's rainy day fund.

These are reasons for optimism, but also for caution. Together we have made significant progress to lift Ohioans and get our state back on track, but too many Ohioans are still out of work. Our taxes are still too high and present a formidable barrier to job creation. Significant improvements remain undone to the programs that care for vulnerable Ohioans. Ohio must do better. We must further restrain the cost of state government and become more efficient to serve Ohioans better and more responsibly. That is our mission with this budget and in the next biennium.

In order to achieve these goals and build on the momentum of the last two years, this budget will pursue more transformational policies to further drive job creation:

- Improving Education for All Children: To best serve Ohio's children we need a world-class education system, one that constantly increases achievement and provides high-quality opportunities for all students – regardless of where they live, their circumstances or the way they learn.
- Helping More Students Get Degrees: Despite Ohio's nationally acclaimed colleges and universities, the percentage of Ohioans with a bachelor's degree – 25 percent – is much below the national average. Turning this around helps more Ohioans get on the fast track to long-term success and stability, while also creating the highly skilled workforce that helps job-creators grow and expand.

- <u>Cutting and Reforming Taxes</u>**:** Ohio's high taxes and complex tax code are barriers to job creation. Worse, our excessive dependence on high income taxes only drives jobs to other states with lower income taxes. I propose cutting small business taxes in half for the first $750,000 in net income, cutting income taxes 20 percent and cutting the state sales tax rate from 5.5 to 5.0 percent – which also benefits low-income Ohioans who pay no income taxes, and eliminating severance taxes on small, conventional natural gas producers. At the same time, we will modernize Ohio's tax code by broadening the sales tax base to apply to all economic activity on an equal basis and modernize the antiquated severance tax so all Ohioans benefit from Ohio's shale gas boom.

- <u>Making Medicaid Work Better</u>: Over the past two years, Ohio has made Medicaid work better for vulnerable Ohioans while also providing better value for taxpayers. With this budget, we build on Ohio's important progress by increasing Medicaid's efficiency by better combating fraud and improving payment processes to hospitals to reward quality, not volume.

  This budget also takes the significant step of helping more low-income and working Ohioans have access to health care through Medicaid, for which the federal government will pay 100 percent for three years and level off at 90 percent beginning in 2020. While a complex decision, this reform not only helps improve the health of vulnerable Ohioans and frees up local funds for better mental health and addiction services, but it also helps prevent increases to health care premiums and potentially devastating impacts to local hospitals. Additionally, it avoids leaving Ohioans' federal tax dollars on the table and keeps the federal government from simply giving them away to other states. Importantly, Ohio will roll back this extension if the federal government changes the rules.

  Taken together, the budget's comprehensive package of Medicaid reforms strengthens Ohio's health care system in sustainable, responsible ways that help our state continue to foster the jobs-friendly climate we need.

- <u>Meeting Ohio's Crucial Transportation Needs</u>: This budget facilitates our plan to leverage the value of the Ohio Turnpike and inject up to $3 billion to strengthen Ohio's transportation network, one of our most important economic-development assets. The vast majority of additional highway dollars raised by the sale of the new Turnpike bonds will go directly to benefit the Turnpike itself and accelerate other highway projects in Northern Ohio. But these additional funds will also free us to direct revenue from traditional sources toward much-need improvements throughout the state, in addition to attracting increased local and federal matching funds.

- <u>Creating a Smarter, More Efficient State Government</u>: Ohio's state agencies have closely examined hundreds of state programs to ensure they're providing solid value to Ohioans, a high level of care for our most vulnerable citizens and a jobs-friendly environment for our future prosperity.

The reforms in this budget are the next steps in moving Ohio further down the road toward solid, sustained prosperity for all of us. Together, we have taken steps to get Ohio back on track, and I am confident we can continue to make Ohio a better place to work, live and raise our families.

Sincerely,

John R. Kasich
Governor

Budget Overview

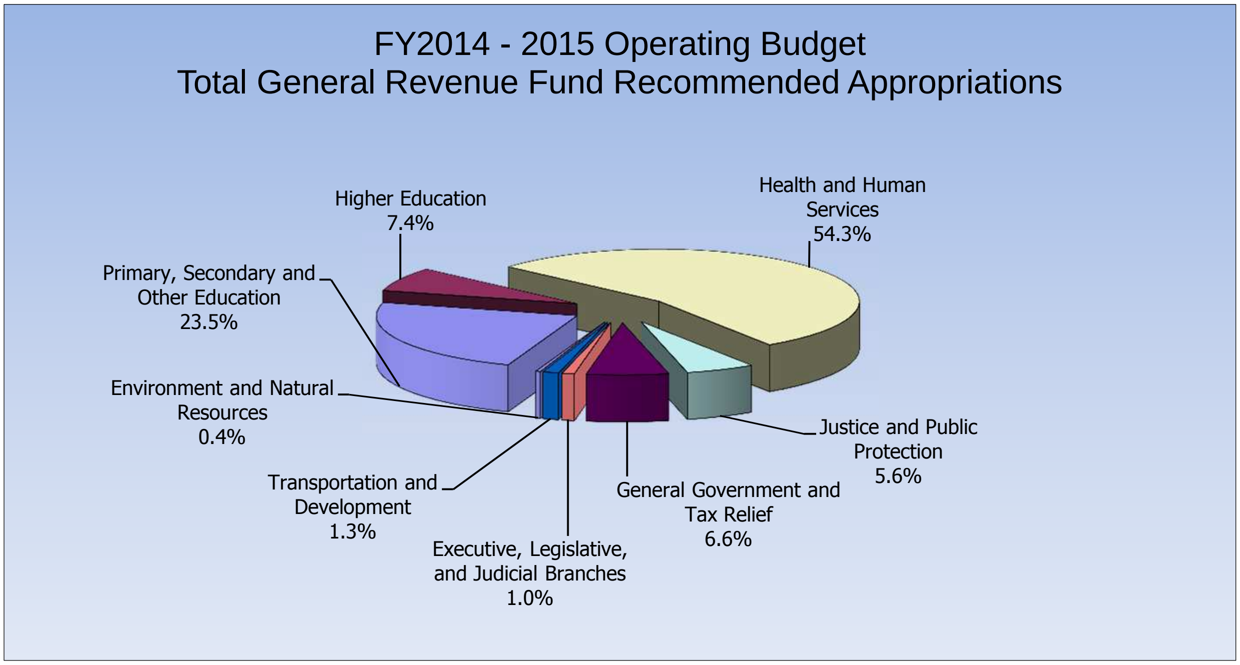
Governor Kasich's Executive Budget

FY 2014 and FY 2015

In his Executive Budget for the FY 2014 - FY 2015 biennium, Governor Kasich recommends GRF appropriations of $30.6 billion in FY 2014 (a 10.5 percent increase over estimated FY 2013 spending) and $32.7 billion in FY 2015 (a 6.8 percent increase over FY 2014). The Governor's recommendations for all funds total $63.7 billion in FY 2014 (a 6.1 percent increase over estimated FY 2013 spending) and $66.8 billion in FY 2015 (a 4.8 percent increase over FY 2014).

The state share of the GRF, not including federal reimbursement for the Department of Job and Family Services or Department of Medicaid programs, is $21.1 billion in FY 2014 (an increase of 5.4 percent over FY 2013 estimate) and $21.6 billion in FY 2015 (an increase of 2.5 percent over FY 2014 appropriation). The chart on page 4, displays the total GRF budget by major functional area, while the chart on page 5 displays the state-only GRF budget by major functional area.

- Medicaid is the single-largest program in the state budget, with recommended GRF appropriations in FY 2014 of $15.1 billion (18.8 percent above FY 2013 estimated spending levels) and $16.8 billion in FY 2015 (11.4 percent above FY 2014 spending levels). These appropriations include the federal share of the program, which makes up approximately 64 percent of the total.
- Primary and Secondary Education and Other comprises the second-largest GRF area of expense and the largest in terms of state-only funding. Recommended appropriations total $7.3 billion in FY 2014 (5.7 percent above FY 2013 spending levels) and $7.5 billion in FY 2015 (3.0 percent above FY 2014). The Department of Education is the largest agency in this category, with FY 2014 recommended appropriations of $6.9 billion (5.4 percent above FY 2013 spending levels) and $7.1 billion in FY 2015 (2.9 percent above FY 2014).
- Higher Education recommendations total $2.3 billion in FY 2014 (0.6 percent above FY 2013 spending levels) and $2.4 billion in FY 2015 (2.3 percent above FY 2014).
- Other Health and Human Services spending totals $1.2 billion in FY 2014 (0.2 percent above FY 2013) and $1.2 billion in FY 2015 (0.2 percent above FY 2014). The largest agencies in this category include the non-Medicaid portion of the Departments of Job & Family Services, Mental Health and Addiction Services, and Developmental Disabilities.
- Justice and Public Protection recommendations total $1.8 billion in FY 2014 (1.6 percent above FY 2013) and $1.8 billion in FY 2015 (0.4 percent below FY 2014). The largest agencies in this category are the Departments of Rehabilitation & Correction and Youth Services.
- General Government and Tax Relief spending consists primarily of payments to local governments to offset revenue losses due to the homestead exemption. Appropriations in this category total $2.0 billion in FY 2014 (2.6 percent above FY 2013) and $2.1 billion in FY 2015 (3.6 percent above FY 2014).
- Environment, Development, and Transportation recommendations total $517.5 million in FY 2014 (7.9 percent above FY 2013) and $544.0 million in FY 2015 (5.1 percent above FY 2014). The largest agencies in this category are the Departments of Development Services and Natural Resources.
- Executive, Legislative, and Judicial agencies include all independently elected statewide officials and the legislative and judicial agencies. The recommendations for these agencies total $308.8 million in FY 2014 (2.3 percent below FY 2013) and $311.0 million in FY 2015 (0.7 percent above FY 2014).

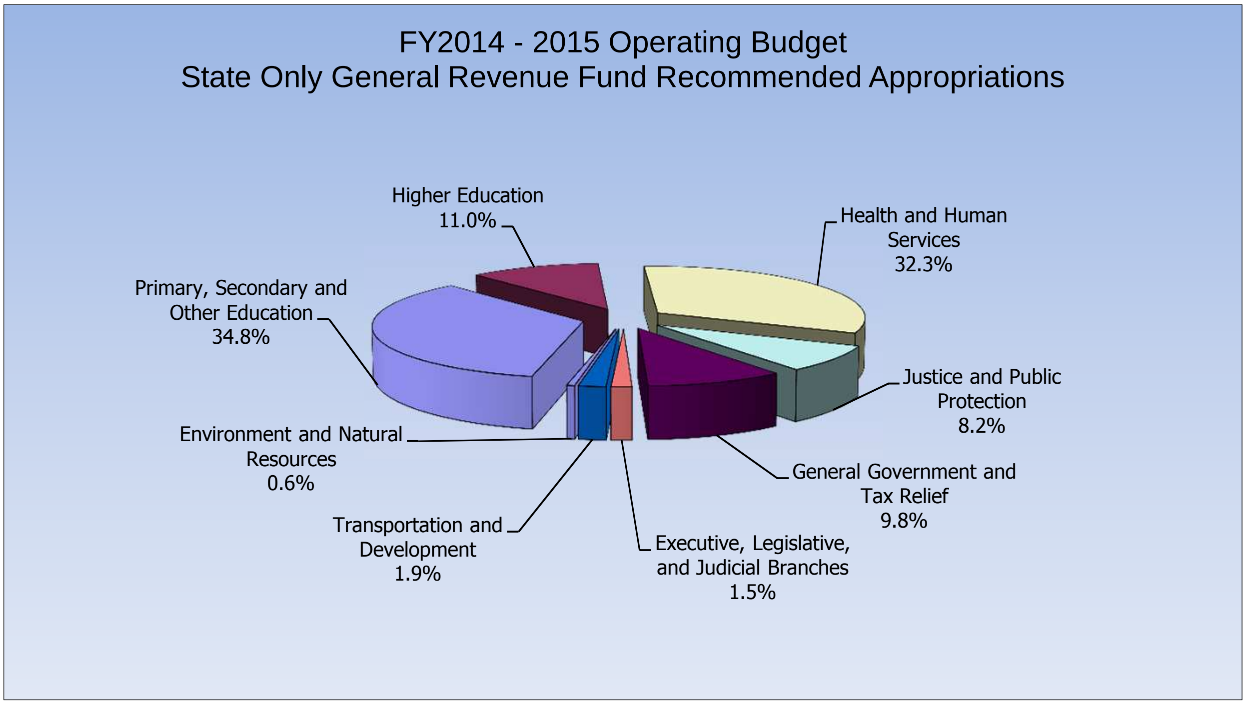


GRF Appropriations (dollars in millions)

Function	FY 2013 Estimate	FY 2014	% Change	FY 2015	% Change
Primary, Secondary and Other Education	$ 6,923.0	$ 7,320.0	5.7%	$ 7,540.4	3.0%
Higher Education	$ 2,308.0	$ 2,323.0	0.6%	$ 2,376.1	2.3%
Health and Human Services	$ 13,912.3	$ 16,293.5	17.1%	$ 18,013.0	10.6%
Justice and Public Protection	$ 1,732.7	$ 1,760.2	1.6%	$ 1,753.9	-0.4%
General Government and Other	$ 1,998.2	$ 2,049.3	2.6%	$ 2,123.5	3.6%
Executive, Legislative, and Judicial Branches	$ 301.9	$ 308.8	2.3%	$ 311.0	0.7%
Transportation and Development	$ 381.5	$ 400.8	5.1%	$ 423.9	5.8%
Environment and Natural Resources	$ 97.9	$ 116.6	19.1%	$ 120.1	2.9%
Total	**$ 27,655.6**	**$ 30,572.2**	**10.5%**	**$ 32,662.0**	**6.8%**

Note: Numbers may not add to total due to rounding

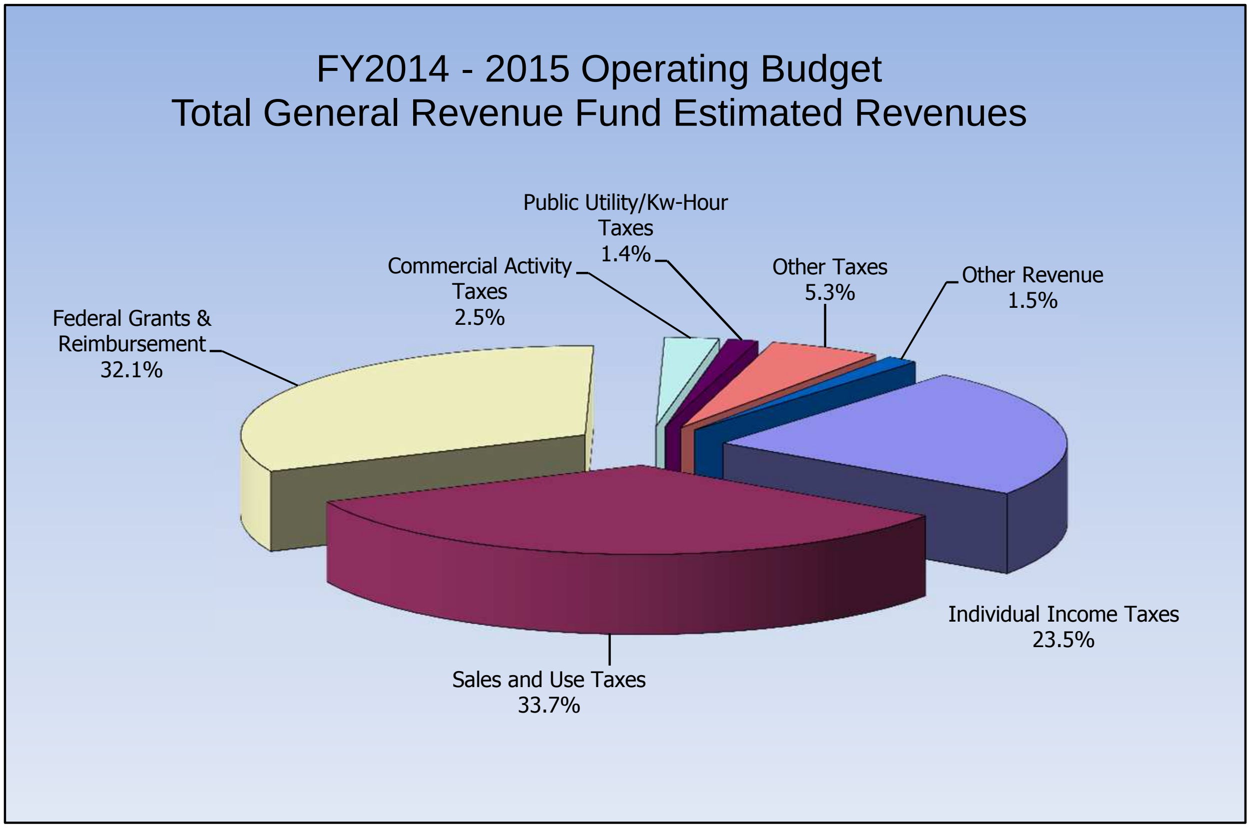
Source: Ohio Office of Budget and Management, February 2013



GRF Appropriations (dollars in millions)
State Only

Function	FY 2013 Estimate	FY 2014	% Change	FY 2015	% Change
Primary, Secondary and Other Education	$ 6,923.0	$ 7,320.0	5.7%	$ 7,540.4	3.0%
Higher Education	$ 2,308.0	$ 2,323.0	0.6%	$ 2,376.1	2.3%
Health and Human Services	$ 6,276.5	$ 6,832.0	8.9%	$ 6,984.8	2.2%
Justice and Public Protection	$ 1,732.7	$ 1,760.2	1.6%	$ 1,753.9	-0.4%
General Government and Other	$ 1,998.2	$ 2,049.3	2.6%	$ 2,123.5	3.6%
Executive, Legislative, and Judicial Branches	$ 301.9	$ 308.8	2.3%	$ 311.0	0.7%
Transportation and Development	$ 381.5	$ 400.8	5.1%	$ 423.9	5.8%
Environment and Natural Resources	$ 97.9	$ 116.6	19.1%	$ 120.1	2.9%
Total	**$ 20,019.8**	**$ 21,110.7**	**5.4%**	**$ 21,633.8**	**2.5%**

Note: Numbers may not add to total due to rounding
Source: Ohio Office of Budget and Management, February 2013

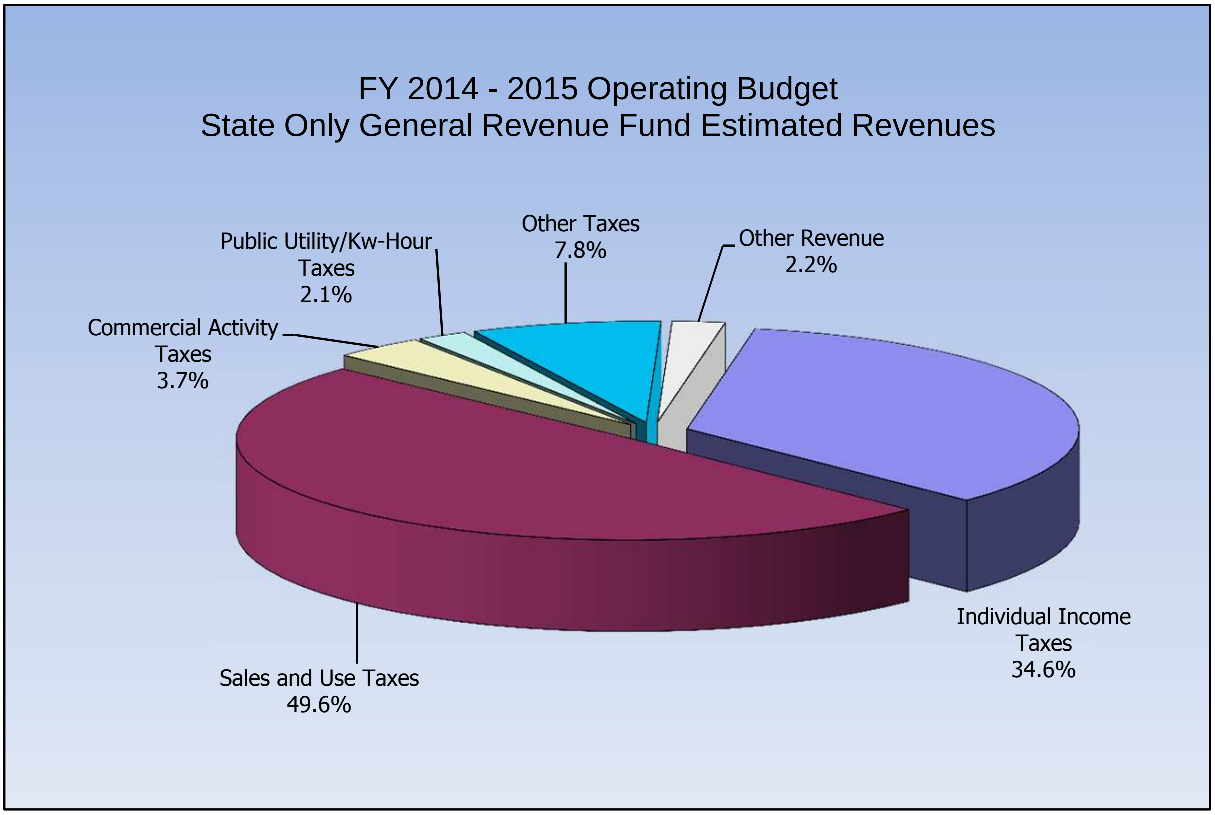


Estimated GRF Revenues (dollars in millions)

Revenue Source	FY 2013	FY 2014	% Change	FY 2015	% Change
Individual Income Taxes	$ 9,250.5	$ 7,733.7	-16.4%	$ 7,182.0	-7.1%
Sales and Use Taxes	$ 8,367.9	$ 10,199.3	21.9%	$ 11,171.9	9.5%
Federal Grants & Reimbursement	$ 7,608.6	$ 9,423.3	23.9%	$ 10,982.1	16.5%
Commercial Activity Taxes	$ 831.4	$ 795.1	-4.4%	$ 820.9	3.2%
Public Utility/Kw-Hour Taxes	$ 466.9	$ 449.1	-3.8%	$ 440.5	-1.9%
Other Taxes	$ 1,688.0	$ 1,623.9	-3.8%	$ 1,745.3	7.5%
Other Revenue	$ 1,001.1	$ 453.5	-54.7%	$ 481.1	6.1%
Total	**$ 29,214.3**	**$ 30,677.9**	**5.0%**	**$ 32,823.8**	7.0%

Note: Numbers may not add to total due to rounding

Source: Ohio Office of Budget and Management, February 2013



State Only Estimated GRF Revenues (dollars in millions)

Revenue Source	FY 2013	FY 2014	% Change	FY 2015	% Change
Individual Income Taxes	$ 9,250.5	$ 7,733.7	-16.4%	$ 7,182.0	-7.1%
Sales and Use Taxes	$ 8,367.9	$ 10,199.3	21.9%	$ 11,171.9	9.5%
Commercial Activity Taxes	$ 831.4	$ 795.1	-4.4%	$ 820.9	3.2%
Public Utility/Kw-Hour Taxes	$ 466.9	$ 449.1	-3.8%	$ 440.5	-1.9%
Other Taxes	$ 1,688.0	$ 1,623.9	-3.8%	$ 1,745.3	7.5%
Other Revenue	$ 1,001.1	$ 453.5	-54.7%	$ 481.1	6.1%
Total	**$ 21,605.7**	**$ 21,254.6**	**-1.6%**	**$ 21,841.7**	**2.8%**

Note: Numbers may not add to total due to rounding

Source: Ohio Office of Budget and Management, February 2011

The Governor’s Executive Budget

Budget Initiatives

Ohio Achievement Everywhere Plan

Common Sense for Ohio’s Schools

Developing a Plan to Help Improve Success in Ohio Schools

Supporting students as they grow and learn is a key policy objective of Governor John Kasich’s Administration. In today’s world, the diversity of learning a student requires in an increasingly complex and globally connected society has pushed against the confines of the traditional school systems and models. Funding for schools has more than doubled since 1997, but measures of student performance have only barely improved. State standards and structures outlined for public schools in Ohio have grown in complexity. The state has adopted statutes or rules that far exceed setting basic standards for student learning and school operations. This complexity has created an environment where creativity and originality are stifled and the teacher must struggle to engage the active imagination of students.

To help improve student success in Ohio and help students master basic educational skills and compete for jobs, the budget supports the Governor’s *Ohio Achievement Everywhere Plan* to help provide all schools with the resources they need so their students can succeed. *Ohio Achievement Everywhere* builds upon a number of school initiatives that have been successfully implemented by Governor Kasich, including the Third Grade Reading Guarantee, A to F Report Card, Ohio Teacher Evaluation System, Early Learning Challenge Grant, expanded access to vouchers for students, and the Cleveland Plan.

The Governor’s education advisors embarked to develop a plan to provide a fair method of distributing funding along with opportunities to invest in new and creative learning systems, ensure accountability for how the funds are used, and decrease the burden of unnecessary mandates. Over the last two years, the Governor’s education advisors visited schools across Ohio and spoke with hundreds of educators to develop a plan that would help schools improve student outcomes.

Achievement Everywhere helps provide all schools with the resources they need so their students can succeed—regardless of where they live. The plan provides $1.2 billion in total new funds over the biennium for primary and secondary education and includes four areas:

Resources to Succeed: *Achievement Everywhere* seeks to close the disparity in resource capacity among school districts and drive dollars to the classroom based on the needs of individual students. This is realized through the following components:

- Core Opportunity Aid: This aid ensures that every school district that levies 20 mills in property taxes (20 dollars for every $1,000 of assessed property value) will generate the same as a district with a $250,000 per-pupil property tax base, when state and local aid is combined.
- Targeted Assistance: Additional funds will be distributed to school districts based in part on the income of their residents. Most Ohio school districts levy more than the required 20 mills; for the 20 percent of districts with the largest tax base, tax revenue generates an average of 15 additional mills. But the capacity of a district to raise additional funds is dependent not only on

the value of the property tax base but also on the household income level of its residents. Most of the districts with the lowest property tax base also have households with lower income.

- Funding for Students with Unique Needs: Some Ohio students come to school needing additional assistance to participate fully in learning opportunities provided. Increased state aid will be provided in several different areas to address the needs of students in the classroom, including:
- Students with Disabilities: Using recommendations made by the Ohio Coalition for Students with Disabilities on the cost of providing services to students with special needs, a per-pupil amount of additional funding is provided. This support will vary, depending on the severity of the student's disability. Additionally, an Exceptional Cost Reimbursement fund is created to provide assistance to schools when the cost to provide services to an individual student significantly exceeds the cost of services to other students in the disability category. Schools will contribute a portion of their allocation for students with disabilities under the foundation formula and participate in this pooling of resources. This represents more than a ten-fold increase from the current funding level, and acknowledges the strain providing for these students can have on district finances.
- English Language Learners: For students for whom English is not their native language, engaging in the educational programs at school first requires mastery of the English language. Students require staff that can bridge the gap between their native language and English. Funding is provided the first year a student is classified as limited English proficient, with the amount decreasing over the following two years, as the student gains mastery of the English language. However, continued funding will support interpreters and translation services for families that are not English speakers.
- Children in Poverty: Children who live in poverty frequently face challenges that interfere with their ability to succeed in school. Providing districts funds for these students, with additional funds for districts with higher concentrations of poverty, gives educators the resources they need to take the extra steps necessary to help them achieve.
- Early Education Access: Quality early childhood programs improve educational outcomes for disadvantaged students. School districts with above-average populations of disadvantaged students will receive additional resources, based on the student's ability to access early learning programs. This funding recognizes the additional supports these students often require in early grades, and will be especially helpful in making sure these students meet Ohio's new Third Grade Reading Guarantee.
- Gifted and Talented: Many students have special talents that can best be nurtured through more challenging instruction, but Ohio has traditionally lacked a consistent method for supporting these students. *Achievement Everywhere* provides districts $50 per student to help identify gifted students and support their unique learning styles and abilities.
- Guarantee Funds: The continuation of a "guarantee" ensures no district receives less in formula state aid than it did in the prior fiscal year, regardless of declining enrollment or increased taxing capacity. This prevents dramatic decreases in funding, which could destabilize a district's finances. However, over the long-term, the inequities created by a "guarantee" are unsustainable and unfair, and school districts should begin preparing for their eventual phase-out.
- Final Funding Limitations: Just as declining revenues can cause instability in finances, sudden increases can also create disruptions in the budgeting process. Thus, after allowing for the full funding of the core opportunity funds, increases in state aid are limited to the lesser of 25 percent of the prior year's aid or 10 percent of the district's total resources.

In addition to core funding, the following funding supplements are proposed:

- Preschool Special Education: Districts are required to provide services to three- and four-year olds with disabilities. For years, state support to schools serving preschool special needs has

been unit funding based on the state minimum teacher salary in place prior to 2002. *Achievement Everywhere* proposes increased funding for a per-pupil amount based on the severity of the student's disability and adjusted for the district's capacity to raise local revenue.

- Career Technical Education**:** Career technical programs allow students to tailor coursework in a way that allows students to learn specialized trades while mastering the core subject areas all students are required to learn. However, specialized instruction in the industry and trade fields require investments in specialized equipment and frequently require much smaller classes to maintain a safe learning environment. Additional funding is provided for each student in a career technical program depending on the type of program, with additional investments in joint vocational school districts.
- Boards of Developmentally Disabled: Many county boards of Developmentally Disabled provide programs for school aged children with more severe disabilities. Funds will provide a per pupil amount that is adjusted for the disability of the student served.
- Parental Choice: The Governor's proposal includes the acknowledgement that community schools do not have the access to permanent improvement funds like many school districts, and provides $100 per student attending a publicly funded community school to offset the cost of maintaining healthy and safe facilities. Additionally, students of families at or below 200 percent of the federal poverty guidelines entering kindergarten in FY 2014 will be eligible for an Educational Choice scholarship to attend a chartered non-public school. The pilot program, which will be paid by the state and not impact school district finances, will expand to first grade students in FY 2015.

Straight A Fund

A new *Straight A Fund* will provide schools with grants that can be used to develop and implement creative and transformative instructional models to inspire learning and student growth. The grant program is open to school districts, educational service center, community schools, STEM schools, and education consortiums. Applications will be awarded by a board appointed by the Governor in a fashion similar to the Ohio Third Frontier program and meet the following goals: student achievement, spending reduction in the five year forecast, and increased resources flowing to the classroom. This $300 fund will be paid with profits from the state lottery.

Free to Achieve

Developing a system of common schools requires that the state develop rules and regulations that provide an outline of the educational programs offered across all schools – schools must be safe and healthy places of learning and a student from any district in the state should receive the same core curriculum. *Achievement Everywhere* will help provide teachers and leaders the freedom to make decisions based on the needs of students. The state has adopted statutes or rules that far exceed basic standards for student learning and school operations. We seek to maintain the standards that relate to the health and safety of our students as well as the standards which promote high achieving schools. However, the Governor's plan seeks to do the following:

- Operating Standards: Require the State Board of Education to review and revise operating standards for schools, as limited to the parameters above, and to provide schools with greater flexibility in meeting standards.
- Alternative School Years: Allow schools and districts to define the length of school days, weeks and years will allow them to meet the needs of their students promotes the implementation of creative learning environments. It is proposed that schools be required to offer a minimum number of instructional hours.
- Remove the Requirement to Pay a Fixed Amount Per-Pupil to Educational Service Centers (ESC): Many of our local districts are required to pay an ESC a per-pupil amount and additional funds for the ESC to provide certain supervisory services. Removing this requirement allows districts and ESC to develop agreements based on the needs of students.

- Salary Schedules: Each school district must adopt salary schedules for teachers, which are either based on training and experience, on level of licensure, on whether the teacher is highly qualified, and on performance evaluation rating. These mandates do not allow schools to develop salary schedules for differentiated teaching roles. Removing this requirement will allow school districts and their bargaining units to design salary schedules that support the priorities of the community

Investing in What Works

Achievement Everywhere will expand the financial reporting currently required of school districts to community schools and STEM schools. This reporting will be done at both the district and building level – to provide transparency to stakeholders about the level of resources provided for classroom learning. The Governor is also proposing the Department of Education create a performance management website with academic and fiscal performance metrics comparing similar districts. Additionally, the Governor is proposing the following accountability measures:

Additional Proposed Changes in Law and Requested Appropriations

The Governor's Executive Budget proposes changes in law to implement the Governor's vision for education. Among the more notable of the proposed changes that support the *Achievement Everywhere* plan include:

- Assessments: Funding is recommended for a new generation of assessments through Ohio's participation in the Partnership for Assessment of Readiness for College and Careers (PARCC) consortium. These new assessments, which the state will commit an additional $20 million in funding to in FY 2015, include both formative and summative assessments, mid-year performance appraisals, high school end of course exams, and an increased focus on providing feedback to teachers and students of progress made over the course of the year.
- Connectivity: $10 million investment in technology infrastructure will help connect information technology centers to the state broadband network and allow for other connectivity upgrades to support the on-line assessments discussed above, blended learning, and mobile computing initiatives in schools.
- College Credit Plus: For students planning to enter college after completing high school, the completion of college-level work while still in high school provides an opportunity to transition to post-secondary course work while still having access to the support of the high school community. The Governor's proposal creates a standard funding mechanism for all courses so that there are uniform opportunities for all students. Currently, some students attend courses free of charge while other students must pay a reduced tuition rate for the same course. The barriers of the current system must be eliminated so that all students have the opportunity to participate in postsecondary opportunities while they are in high school if they are ready.
- Educational Service Centers (ESCs): In the Governor's first budget, changes were made to allow ESCs to operate in a more entrepreneurial fashion and expand their services. Without territorial boundaries for these organizations, the Governor is proposing to replace the current governing structure where board members are elected to a governance structure similar to joint vocational school districts.
- EdChoice Scholarships: Kindergarten through third grade students whose buildings rate poorly in improving literacy for K-3 students on the new A-F report card in two of three years will be eligible for an EdChoice scholarship.

The Governor's Executive Budget requests appropriations for primary and secondary education totaling $7.7 billion and $8.1 billion in each year of the biennium, or 6.9 percent and 4.3 percent increases, respectively. This represents more than $1.3 billion in new funds to help ensure that every child, no matter where they live, will have an opportunity for success.

Medicaid 2.0
Ohio's Plan to Transform Medicaid and Health Care

Ohio's Health Care System is Underperforming
Ohio's health-care system in both the private and public markets is uncoordinated, with few incentives for quality and wellness, leading to waste and poor health and threatening our ability to be competitive economically. President Obama's Affordable Care Act also creates $521 million in additional costs for Ohio Medicaid because of the "woodwork effect," and the law has a negative, job-killing impact on Ohio's private insurance market, health care providers and other businesses.

The Budget Builds off of Reforms from the Past Two Years
In 2011, Governor John Kasich created the Office of Health Transformation to lead the Administration's efforts to modernize Medicaid, streamline health and human services programs and improve overall health system performance. Using an innovative approach and collaboration among multiple state agencies and public- and private-sector partners, Ohio is improving care for vulnerable Ohioans, reducing costs, increasing efficiency and supporting the Governor's efforts to create jobs and reduce unemployment.

- Improving care for the most vulnerable: Ohio is integrating Medicaid/Medicare services, improving care for people with severe mental illness, and enabling seniors and people with disabilities to live at home.
- Streamlining health and human services programs: Ohio is modernizing eligibility determination systems and improving state agency operations, including developing a plan to combine the Department of Mental Health and Department of Alcohol and Drug Addiction Services.
- Improving overall health-system performance: Ohio has begun to pay for health care based on value, not volume, and is providing patient-centered medical homes statewide.
- Controlling costs: In the three years prior to Governor Kasich taking office, Medicaid spending increased 33 percent. The Governor's first budget helped bend this cost curve, saving Ohio taxpayers almost $2 billion.

This Budget Continues Ohio's Progress in Transforming Medicaid
Medicaid payment strategies have too often incentivized more services, not better care. This budget continues the Governor's efforts to reset Medicaid payment rules to reward value instead of volume and provide high-quality services in settings that individuals prefer.

- Improving Program Integrity and Fighting Fraud: Nationally, fraud accounts for approximately ten percent of all health care waste, so fighting fraud and maximizing integrity and accountability in Medicaid is a key to improving efficiency. Ohio will expand its efforts to improve program integrity through a series of reforms—increasing Medicaid audit capacity; speeding nursing homes claims processing and terminations; requiring personal responsibility; creating a consolidated Medicaid budget; and capturing reimbursements from consumers—saving $74 million over the biennium.
- Improving Quality and Reducing Spending by Rewarding Value, Not Volume: This budget continues to reduce Medicaid costs by implementing innovative strategies for paying Medicaid providers—including health plans, nursing facilities, hospitals and home- and community-based providers—for delivering quality, not just volume.
- Extend Medicaid Coverage to Low-Income Ohioans: In June 2012, the United States Supreme Court made it optional for states to extend Medicaid coverage to all adults making $15,415 or less per year, with the federal government paying 100 percent of the cost for three years, decreasing to 90 percent in 2020 and beyond. The Governor has weighed the options and has chosen the path that is best for Ohio. The budget will offer coordinated coverage for low-income

Ohioans, most of whom have jobs, creating a vibrant workforce that is attractive to job creators and further mitigating harmful effects of the federal government's Affordable Care Act.

- Simplifying and Automating Medicaid Eligibility Determination: Current eligibility determination processes for health and human services programs in Ohio are fragmented, overly complex and rely on outdated technology. For example, the information technology system Ohio uses to determine and process Medicaid eligibility is more than 30 years old and doesn't work, creating a burden on county governments that are responsible for eligibility determination. Ohio will simplify the state's current 150+ Medicaid eligibility categories into three groups and implement simplified eligibility processes and information technology systems. The new IT system capacity—which will provide the technology necessary to integrate eligibility and business intelligence across all of Ohio's health and human services agencies, not just Medicaid—will be funded in the budget, making eligibility determination simpler for consumers, limiting processing and staff costs for counties and reducing fraud and abuse.
- Rebalancing Spending on Long-Term Services and Supports: This budget will continue to expand home-based options for seniors and people with disabilities—with a focus on individuals with severe mental illness—and improve quality in these settings.
- Updating Provider Regulations to Be More Person Centered: Ohio will continue to drive quality improvements in services that are administered in the community and in institutional settings.

Sharing Services across State and Local Jurisdictions Is the Key to Health and Human Services Program Improvement

Barriers to innovation are prevalent in health and human services, where policy, spending and administration are split across multiple state agencies and corresponding local systems. We will continue to break down these barriers, creating efficiencies that will improve overall health-system performance and save taxpayer dollars.

- Creating a Cabinet-level Medicaid Department: The budget bill, consistent with previous Medicaid reviews and actions taken by the Kasich Administration, will formally create the new Department of Medicaid, effective July 1, 2013. This long-overdue improvement will remove barriers that impede innovation and it will make Ohio's Medicaid program more efficient, effective and responsive to the needs of beneficiaries, stakeholders and Ohio taxpayers.
- Consolidating Mental Health and Addiction Services: The budget bill will formally consolidate ODADAS and ODMH into the Department of Mental Health and Addiction Services, providing additional efficiencies and improving support for local government partners, providers and clients who are participating in two treatment systems.
- Implementing Public Health Futures: Last session, the legislature established a committee of stakeholders and legislators to examine current local public health capacity, services and jurisdictional structure and assess opportunities for improvement. The budget operationalizes the recommendations of the Public Health Futures Committee, providing tools for shared services and operational efficiencies in local public health.
- Coordinating Workforce Programs: The budget provides tools to better identify health sector workforce needs, align existing workforce programs, reform higher education training programs, and change payments for health services to support workforce priorities. These strategies will create a unified system that helps businesses in the health-care sector meet their workforce needs.
- Coordinating Programs for Children: The budget includes targeted initiatives to improve health and human services for children served within and outside of Medicaid, with a focus on reducing infant mortality, improving early childhood education, and assisting high-risk your successfully transition to adulthood.

The Governor's proposals will continue the nationally recognized transformation of Ohio's Medicaid program by improving care for vulnerable Ohioans, reducing costs for taxpayers and businesses and

making Ohio more attractive to job creators. Strategic spending decisions and payment reform strategies help mitigate the $521 million state budget impact of the Affordable Car Act's "woodwork effect" and ensure the long-term financial stability of the Medicaid program.

Cutting Taxes through Reform

Ohio has been engaged in intensive reconsideration of its tax structure for more than ten years. The Committee to Study the State and Local Tax Structure (CSSLT), which met in 2002, issued a report in 2003 that evaluated the Ohio tax structure at the time according to the principles of neutrality, equity, competitiveness, simplicity, and stability. The 2005 tax reform package addressed a number of the concerns that the CSSLT report found with the Ohio tax structure, but there is work remaining to be done, and Governor Kasich believes that now is the time to do it. Rather than addressing changes to the tax system in a piecemeal way, the Governor believes that what is needed is a broad structural reform that focuses on the state's two biggest taxes, the income tax and the sales tax.

The vision behind the tax reform proposal is to provide a tax system that will make Ohio more competitive in attracting investment and jobs, while also spreading the tax burden more fairly across industries. In broad terms, the reform proposal provides a net tax cut of $1.4 billion across three fiscal years while shifting some of the tax burden from income to consumption in order to increase after-tax rates of return on investment in Ohio. It also takes advantage of the discovery of significant oil and gas reserves in the Utica shale formation to cut taxes for all Ohioans.

The proposal addresses the inequity in the application of the sales tax to goods and services by putting services on also same basis as goods, so that they are taxable unless specifically exempted, rather than being exempt unless explicitly made taxable. This should prevent the continuation of past practice of picking out a few services to subject to taxation when the state needs revenue in the wake of a recession, which has led to not only an un-level playing field between goods and services, but between different kinds of services. At the same time, the proposal exempts from taxation those services that are vital to well-being and opportunity, such as health care and education.

To summarize, the tax reform proposal in the Governor's Executive Budget cuts income tax rates by 20 percent, cuts small business income taxes by 50 percent, and cuts the state sales tax rate by 9 percent. It broadens the sales tax base and modernizes the severance tax structure, and provides a net tax cut to Ohioans of $1.4 billion over three fiscal years: $240 million in FY 2014, $644 million in FY 2015, and $487 million in FY 2016.

Income Tax Cuts

Governor Kasich has been clear that he believes that Ohio must reduce its personal income tax rates in order to improve its competitive position relative to other states. The 2005 tax reform package, which cut rates 21 percent for all tax brackets (including the last cut that took effect in tax year 2011), was a start. However, even after the 21 percent tax cut, one of the places where Ohio's combined state and local tax burden is still relatively high is in the personal income tax. The Administration continues to seek ways to reduce Ohio's income tax burden and thereby to help small business.

The proposed income tax cut has two parts. The first part of the income tax cut would be for all taxpayers. Income tax rates would be cut by 20 percent for all 9 brackets. This would reduce the top marginal tax rate from 5.925 percent to 4.74 percent. The marginal tax rate on incomes between approximately $40,000 and $80,000 would drop from 4.109 percent to 3.287 percent. This proposed cut

would be phased in over three tax years, from 2013 to 2015, with the cuts being 7.5 percent, 15.0 percent, and 20.0 percent. These cuts would provide tax relief of $1.04 billion in FY 2014, $2.08 billion in FY 2015, and $2.15 billion in FY 2016. Taxpayers would begin to see tax relief even before they have filed their tax year 2013 tax returns in early 2014, because the plan is to cut employer withholding rates in September 2013, July 2014, and January 2015.

The second part of the income tax cut would be targeted at small business owners in order to foster greater hiring. Historically, small businesses in the U.S. are responsible for 65 percent to 90 percent of new job creation. Owners of pass-through entities or PTEs – which are mostly small businesses – pay the federal and Ohio personal income tax (recall that Ohio no longer has a corporate income tax). Under the Administration's proposal, these taxpayers would be allowed a deduction of 50 percent of their annual PTE income, up to $750,000 with the deduction capped at $375,000. The tax savings could be used to hire additional labor or invest in equipment to enhance productivity. This part of the tax cut proposal would provide tax relief of between $600 million to $650 million annually.

Sales Tax Changes

Following the public finance principle that taxes with broader bases and lower tax rates are preferable to those with narrower bases and higher rates, the reform proposal would expand the sales tax base to include a wide range of services, but cut sales tax rates. Those services that are connected to the essentials of life, such as medical care and education, would continue to be tax exempt.

The reform proposal would reduce the state sales tax rate from 5.5 percent to 5.0 percent. This would reverse a long trend of increasing state sales tax rates either to raise general revenue or to compensate for the progressive narrowing of the sales tax base. While the tax reform proposal is expected to add about $53 billion to the sales tax base in FY 2015, the sales tax base that is being subjected to the tax rate cut is $175 billion. So, there is a high volume of transactions that are taxable under current law that would benefit from the proposed tax rate reduction.

Local Sales Taxes – Balancing the Interests of Taxpayers and County Governments

Many states have local add-on taxes to the state sales tax (by our count, 33 states including Ohio). However, Ohio's local sales tax is somewhat more complicated to deal with in the context of a base broadening tax reform than a typical state's local taxes might be. For one thing, local sales tax authority in Ohio is very broad. Every one of the 88 counties levies a sales tax, and in addition, eight transit authorities levy sales taxes. By contrast, in Pennsylvania only Philadelphia and Allegheny County levy local sales taxes, and in West Virginia, only Williamstown and Huntington do so. In addition, Ohio's local sales tax rates vary quite a bit by county and transit authority, whereas in some states there less variation in rates to contend with. Finally, the local sales taxes in Ohio are split into general and special-purposes tax levies, with somewhat different rules applying to each. The Administration believes that the counties and transit authorities should benefit from the expansion of the sales tax base, but that the additional revenue should be limited to protect taxpayers. At the extreme, if local tax rates were allowed to remain as they are, then in the first full year of the sales tax base expansion, local sales tax revenues would increase by almost $700 million. This would be enough to turn a net tax cut into a net tax increase when state and local impacts are combined. In the Administration's view, this is an unacceptable result.

The tax reform proposal would therefore also reduce local sales tax rates by differing amounts based on the expected level of sales tax base expansion by county or transit authority. The local sales tax rate cuts would not be revenue neutral, but would provide the counties and transit authorities with modest revenue growth over a three-year period of FY 2014-2016. The average reduction of local tax rates would be 20 percent, but the cuts range in size from 11 percent to 35 percent. Even with these rate changes, the reform allows for local sales taxes growth of 10 percent from current revenue

amounts. If in fact the tax rates that have been calculated for local governments to realize 10 percent revenue growth do not in fact produce that growth in the first year following the reform, the rates will be recalculated in order for counties to realize 10 percent growth, and the state will make hold harmless payments to counties to assure 10 percent revenue growth over the first twelve months, and to assure 15 percent growth over the last seven months of FY 2015.

The net impact of all the proposed sales tax changes is an increase in state sales tax revenue of $1,322 million in FY 2014 and $1,799 million in FY 2015. Local sales tax revenues would increase by an estimated $50 million in FY 2014 and $70 million in FY 2015. FY 2014 impacts are much smaller than FY 2015 impacts because the proposal would take effect September 1, 2013 and affect tax collections beginning in October 2013, so in effect it would be in place for only three-quarters of a year.

Severance Tax Changes

Finally, severance tax is put in place for high-volume horizontal wells operating in the Utica shale formation. For conventional wells, the tax structure is mostly left in place; although there is a new exemption created for small-volume gas wells (gas wells with average daily production of under 10 million cubic feet [MCF] would be exempt from the tax). Also, rather than being a straight 3 cents per MCF, gas from conventional wells will be taxed at the lesser of 3 cents per MCF or 1 percent of value, which will provide tax savings when gas prices are below $3 per MCF. This will result in almost 45,000 currently taxable conventional gas wells becoming exempt from taxation.

For horizontal wells, the tax rates will be 1 percent for natural gas, and 4 percent for oil, natural gas liquids, and condensate. However, there will be a lower tax rate of 1.5 percent for the first year of production, in order to allow producers to recover the cost of preparing the well site and drilling the well.

The Administration has researched the severance tax structures of other states with significant oil and gas production, particularly those states with shale resources, and has found that even with a 4 percent tax rate, the tax burden on the revenues from these horizontal Utica wells will be lower than in other states. One excellent source for this data is the Ernst & Young (E&Y) study of the severance tax proposal done for the Ohio Business Roundtable, which found that even at the proposed 4 percent severance tax rate, Ohio's overall taxes, including taxes other than severance, would still rank lowest among the eight states included in the study in terms of overall effective tax rates. The E&Y study examined all major state and local taxes, for two types of wells: wells producing both dry natural gas and natural gas liquids (NGLs), and wells producing dry natural gas and oil. The seven comparison states in the study were Ohio's resource-extracting neighbors, Michigan, Pennsylvania, and West Virginia, and four other oil and gas dependent states: Arkansas, North Dakota, Oklahoma, and Texas. All seven of those states either already have substantial horizontal well extraction or are expected to have such extraction in the near future. The E&Y study found that Ohio's overall effective tax rate (ETR) on the output from the two types of wells would be 40 percent or 48 percent below the average ETR in the other seven states, depending on the type of well output.

The severance tax changes produce an estimated gain to the GRF of $45 million in FY 2014 (a half-year's worth of revenue) and $155 million in FY 2015. As production and pipeline capacity increase, the severance tax is projected to grow significantly outside the biennium, reaching $305 million in FY 2016 and $415 million in FY 2017.

It should be note that the GRF revenue losses due to tax reform are somewhat larger than the net impact on taxpayers for all state and local taxpayers. This is because the Administration felt that it was important to allow the counties and transit authorities to realize some revenue growth from the sales tax base broadening, even though it meant that in order to provide a given amount of total tax relief, the GRF would have to bear a greater loss.

Transforming Higher Education

The centerpiece of higher education support in this budget is the re-designed State Share of Instruction (SSI) funding formula. In the fall of 2012, Governor Kasich met with the leaders of Ohio's public colleges and universities and challenged them to work together to envision the SSI not simply as a state subsidy, but as a strategic source of funding. It was his goal that this new approach would incentivize student success as well as increased course and degree completions, while holding public institutions accountable for results. The college and university leaders undertook this task, assembling as the Higher Education Funding Commission under the leadership of Ohio State University President E. Gordon Gee.

Expanding upon a similar and very successful collaboration that was achieved in the most recent capital appropriations bill (Sub. H.B. 482 of the 129th General Assembly), the Higher Education Funding Commission was charged with re-designing the SSI formula to respond to the Governor's new challenge. After several months of deliberation among higher education leaders, the Commission responded by submitting a final report, signed by every public college and university president in the state, recommending numerous policy changes to the SSI formula. The recommendations of the Commission were strongly endorsed by Governor Kasich. The Executive Budget contains, as introduced, the necessary language within the SSI to implement these significant performance-based policy reforms. Highlights include:

- <u>Incentivize University Degree Completion</u>
  - The bill allocates 50 percent of the total university funding within the SSI for degree completions. This means that 50 percent of the SSI available to universities will be awarded according to the number of students who actually complete a degree at the institution.
- <u>Eliminate the Stop-Loss for Universities</u>
  - This re-distributive mechanism, which reduces university allocations in each fiscal year in order to mitigate funding losses at poor-performing institutions, is eliminated.
- <u>Eliminate Historical Set Asides</u>
  - Two outdated earmarks at community colleges, the Access Challenge and Supplemental Tuition Subsidy, are eliminated. At university regional campuses, the Access Challenge and square-foot-based plant operation and maintenance (POM) earmarks are eliminated. These previously earmarked funds, totaling over $67 million in FY 2013, will now reward performance-based outcomes by flowing through the re-designed formula. At university main campuses, the Access Challenge and square-foot-based plant operation and maintenance (POM) earmarks are eliminated in FY 2016.
- <u>Reward Community and Technical College Completion</u>
  - For the first time, the bill proposes funding course completions at our community and technical colleges rather than course enrollments. In FY 2014, 25 percent of the SSI available to community and technical colleges will be awarded according to the number of students who actually complete a course at the institution.
- <u>Review Success Points</u>
  - The current Success Point incentive system, which ties community college funding to established measures of student achievement, will be reviewed and revised accordingly for the second year of the biennium to ensure that the incentive system accurately recognizes the range of activities that lead to course and degree completions.

The Executive Budget includes total GRF appropriations of over $2.3 billion in each fiscal year for higher education. The State Share of Instruction (SSI), which is the primary line item in the Board of Regents' budget that provides operating support to our public institutions of higher education, increases by $33 million (1.9 percent) in FY 2014, to $1.78 billion, and by $34 million (1.9 percent) in FY 2015, to

$1.82 billion. The SSI appropriation increase is in recognition of the meaningful work accomplished by the university community in making Ohio a national leader in performance-based higher education funding.

In addition, the higher education budget prioritizes funding for student financial aid line items. The War Orphans Scholarship, National Guard Scholarship, Choose Ohio First Scholarship, and Ohio College Opportunity Grant all receive modest appropriation increases, as compared to estimated FY 2013 expenditure levels.

The Executive Budget also includes language to ensure that college remains affordable for students and families by limiting in-state, undergraduate tuition and general fee increases to no more than the greater of two percent over what the institution charged in the previous academic year or two percent of the statewide average cost, by sector.

Ohio Jobs and Transportation Plan

Ohio Faces a Transportation Funding Shortfall

Ohio's transportation system – and the network of highways at its heart – is perhaps our state's single most important asset for economic development and jobs growth. Virtually every sector of our economy – manufacturing, commerce, agriculture, small business, logistics – depends on this transportation network for access to its workforce, raw materials and markets.

But, like the vast majority of states, Ohio's budget for maintaining and improving its transportation resource depends almost entirely on federal and state gas tax revenues. For many reasons beyond the state's control, this source of funding is increasingly unable to keep pace with ever-rising costs of our transportation needs. Already, the resulting shortfall has delayed $1.4 billion in the state's highest priority construction commitments, as projected by the state's Transportation Review Advisory Commission (TRAC). In TRAC's 2013 to 2016 program, 21 critically needed projects were delayed for a decade or more from their original start dates.

To accelerate projects in the TRAC program, the Ohio Department of Transportation (ODOT) evaluated a wide range of options for funding or financing its projects early in 2012 and identified $400 million in savings to help offset the projected funding shortfall. ODOT also launched the Division of Innovative Delivery, to explore a range of innovative methods for delivering projects. Other innovative solutions, such as unlocking the financial potential of the Ohio Turnpike, were explored as part of ODOT's overall approach to addressing the state's transportation system challenges.

Evaluation of Options for Leveraging the Turnpike

One year ago, the Ohio Department of Transportation and the Office of Budget and Management, at the request of Governor Kasich, jointly commissioned the Ohio Turnpike Opportunity Analysis to assess options available to unlock the value of the Turnpike, while at the same time preserving its future viability and the quality of service that the toll road's customers have come to expect.

The Turnpike Analysis assessed three options that sought to best achieve those goals. Option one would maintain the *status quo*, with modifications to the Turnpike Commission's bonding capabilities. Second was a public option, which considered keeping the Turnpike in state hands, but with a closer alignment between the Turnpike Commission and ODOT. The third option to be evaluated was a long-

term public/private partnership, which assumed leasing the Turnpike to a private concessionaire for a period of 50 years.

Ohio Jobs and Transportation Plan

After more than ten months of study and deliberation – including multiple forums to gather input from the public and local officials – the decision was made to pursue the second option. As laid out in the *Ohio Jobs and Transportation Plan*, announced by Governor Kasich in December 2012, the Ohio Turnpike will remain in state hands, under control of a restructured Ohio Turnpike Commission, now to be called the Ohio Turnpike and Infrastructure Commission.

In accordance with the plan, the Ohio Turnpike and Infrastructure Commission will issue bonds backed by future Turnpike revenues. More than 90 percent of the bond proceeds will be directed toward transportation projects in northern Ohio, including maintenance and modernization of the Turnpike itself. Initial bond issuances are expected to total $1 billion over the next five to six years, from which a portion of the proceeds – about $70 million – will allow the Turnpike to accelerate its plans for a required and total reconstruction of the Turnpike's base roadbed. A second bond issue of $0.5 billion is anticipated four to six years subsequently.

Other key details of the *Ohio Jobs and Transportation Plan* include:

- Toll rates for local passenger trips paid with an EZ Pass will be frozen for 10 years;
- All other toll rates will be capped at inflation, which is lower than historic toll increases; and
- No Turnpike employee lay-offs are anticipated.

The availability of these additional highway dollars, primarily for use in northern Ohio, will permit ODOT to apply its traditional funding sources to accelerate completion of high-priority projects throughout the rest of the state. What's more, ODOT projects that the $1.5 billion in Turnpike bond proceeds can potentially attract federal and local matching funds for additional investment in Ohio's transportation system.

The Governor's Executive Budget proposes changes in law required for this plan to move forward as well as appropriation authority allowing ODOT to spend the proceeds of bonds issued by the Ohio Turnpike and Infrastructure Commission. Among notable language changes:

- Change the name of the Ohio Turnpike Commission to "The Ohio Turnpike and Infrastructure Commission."
- Add a new definition for "infrastructure projects," which is separate and distinct from the existing turnpike "project."
- Add authority for the Commission to issue bonds and authorize agreements with ODOT for funding (in whole or in part) of infrastructure projects that have been recommended by the ODOT director. These are projects previously reviewed and recommended by TRAC.
- Allow the Commission to adopt rules relating to the approval of infrastructure projects. These rules will establish the criteria to be used by the Commission in approving infrastructure projects. The Commission must find an anticipated economic or transportation-related impact.
- Change the size and terms of some members of the Ohio Turnpike and Infrastructure Commission, including the addition of two new public members.

The Governor's proposed budget requests appropriations of $200 million in FY 2014 and $300 million in FY 2015 to allow ODOT to spend bond proceeds provided by the Turnpike Commission.

The Ohio Jobs and Transportation Plan presents a balanced and forward-thinking strategy for Ohio, allowing the state to address a serious and growing shortfall between our transportation needs and our ability to meet those needs with existing revenue streams. By leveraging the value of Ohio's Turnpike asset – while keeping the Turnpike under strong, independent public control – we will close our

highway-funding gap for the lasting benefit of Ohio's economy and move forward with essential transportation projects that will otherwise be held off for years.

Continuing Review and Reform of State Government

Throughout Governor Kasich's first two years in office, he has challenged his Administration to continually review and improve the operations of state government in order to ensure that taxpayer-funded services are delivered in the most cost-effective and efficient manner. These actions have contributed significantly to the state's strong financial position.

Earlier portions of this highlights document described some the restructuring occurring in the fiscal year 2014-2015 budget within the realm of health and human services, such as the merger of the departments of Alcohol and Drug Addiction Services and Mental Health into the new Department of Mental Health and Addiction Services, and the creation of the new Department of Medicaid by separating the Office of Medicaid from ODJFS. These changes, while significant, are but two examples of the numerous reforms and realignments in this budget.

For example, the Department of Rehabilitation and Correction's GRF budget grows by only 0.5 percent in FY 2014 and then declines by 0.5 percent in FY 2015. In fact, these levels are below FY 2011 spending levels. It would not be possible to operate at these levels were it not for Director Gary Mohr's careful review of all aspects of the agency and the successful implementation of so many cost-containment initiatives.

The Department of Rehabilitation and Correction (DRC) will continue to generate savings on medical services in the coming biennium. After establishing greater utilization management in the current biennium to ensure that health care is provided appropriately, the department will be consolidating all aspects of medical care into the Office of Correctional Healthcare in FY 2014. The office will oversee all aspects of medical care, including recovery service, mental health, and traditional medical services. Efficiencies gained from this consolidation will further relieve the department's health care budget.

Also, DRC will privatize food service for the institutions, enabling savingsof million per year once fully realized. Additionally, the Department of Youth Services (DYS) will take part in these contracts as well, allowing DYS to also realize savings. The two departments will also work together to share some back office functions, further enabling both agencies to focus their resources on institutional and community operations, including security.

Another example of operational reforms in this budget relates to Ohio Shared Services (OSS), a division of the Office of Budget and Management. It is a financial processing organization that centralizes processing activities for numerous state agencies, thereby freeing up resources to allow those agencies to focus on their respective core missions. OSS is nearing completion in the "onboarding" of all cabinet agencies for accounts payable transactions, and continues to provide travel and expense reimbursement processing on behalf the agencies. In the coming biennium, OSS plans to expand into accounts receivable, including the collection of past due balances in the period prior to their certification to the Ohio Attorney General.

Another way that agencies are working together involves the targeted use of Lean Ohio and Six Sigma tools. In the coming biennium, the Department of Administrative Services will bolster its support of state agencies' efforts to improve processes and operational efficiency. These tools are helping agencies

bring major, demonstrable improvement to state government in a way that engages employees, benefits citizens and business customers, and saves money.

While this highlights document cannot summarize all of the operational improvements across state government that are planned for the coming biennium, it is important to note a few other agency consolidations in the FY 2014-15 budget that will help to streamline state government. First, the budget merges the Ohio Medical Transportation Board and the State Board of Emergency Medical Services to form the State Board of Emergency Medical, Fire, and Transportation Services. The combined board will operate under the Department of Public Safety. Second, *eTech Ohio'*s functions related to technology, education, and public broadcasting are merging into the Board of Regents, the Department of Education, and the Department of Developmental Disabilities. The proposed merger will reduce costs and redundancy and align with the state's goals of creating a seamless education system for all of primary and secondary and higher education. Third, the responsibilities of the Cultural Facilities Commission will move to the Facilities Construction Commission. This continues the movement of vertical construction management to a single state agency.

Actual and Estimated Revenues for the General Revenue Fund
Fiscal Years 2012 to 2015
(Dollars in Millions)

Revenue Source	Actual FY 2012	Estimated FY 2013	% Chg	FY 2014	% Chg	FY 2015	% Chg
Tax Revenue							
Auto Sales and Use	1,053.5	1,070.0	1.6%	1,045.3	-2.3%	1,069.0	2.3%
Non-Auto Sales and Use	7,033.5	7,297.9	3.8%	9,154.0	25.4%	10,102.9	10.4%
Subtotal Sales and Use	8,087.0	8,367.9	3.5%	10,199.3	21.9%	11,171.9	9.5%
Personal Income	8,432.9	9,250.5	9.7%	7,733.7	-16.4%	7,182.0	-7.1%
Corporate Franchise	117.1	180.0	53.8%	0.0	-100.0%	0.0	0.0%
Financial Institutions Tax	0.0	0.0	N/A	190.0	N/A	200.0	5.3%
Commercial Activity Tax	417.1	831.4	99.3%	795.1	-4.4%	820.9	3.2%
Public Utility	113.9	110.0	-3.4%	110.0	0.0%	110.0	0.0%
Kilowatt Hour Tax	294.8	296.9	0.7%	279.1	-6.0%	270.5	-3.1%
Natural Gas Consumption	60.2	60.0	-0.3%	60.0	0.0%	60.0	0.0%
Foreign Insurance	266.5	270.0	1.3%	272.0	0.7%	276.0	1.5%
Domestic Insurance	189.1	200.0	5.8%	214.0	7.0%	254.0	18.7%
Severance Tax	0.0	0.0	N/A	43.5	N/A	149.8	244.4%
Business and Property	19.9	25.0	25.8%	0.0	-100.0%	0.0	0.0%
Cigarette	843.2	815.0	-3.3%	790.0	-3.1%	765.0	-3.2%
Alcoholic Beverage	57.6	58.0	0.7%	58.0	0.0%	58.0	0.0%
Liquor Gallonage	39.4	40.0	1.4%	41.4	3.5%	42.5	2.7%
Estate	66.5	100.0	50.3%	15.0	-85.0%	0.0	-100.0%
Total of Tax Revenue	19,005.2	20,604.6	8.4%	20,801.1	1.0%	21,360.6	2.7%
Non-Tax Revenue							
Earnings on Investments	5.4	5.5	2.4%	6.0	9.1%	6.0	0.0%
Licenses and Fees	65.3	46.0	-29.6%	46.0	0.0%	46.0	0.0%
Other Income	139.1	533.0	283.2%	32.9	-93.8%	36.2	10.2%
Interagency Transfers	25.2	15.0	-40.5%	15.0	0.0%	15.0	0.0%
Total of Non-Tax Revenue	235.0	599.5	155.1%	99.9	-83.3%	103.2	3.3%
Transfers							
BSF Transfer	0.0	0.0	0.0%	0.0	0.0%	0.0	0.0%
Liquor Transfers	92.5	160.0	73.0%	0.0	-100.0%	0.0	0.0%
Transfer In - Other	264.0	241.6	-8.5%	353.6	46.4%	377.9	6.9%
Transfers In - Temporary	225.9	0.0	-100.0%	0.0	N/A	0.0	0.0%
Total Transfers	582.3	401.6	-31.0%	353.6	-11.9%	377.9	6.9%
Total Sources Excluding Federal Grants	19,822.5	21,605.7	9.0%	21,254.6	-1.6%	21,841.7	2.8%
Federal Grants Deposited in the GRF	7,363.0	7,608.6	3.3%	9,423.3	23.9%	10,982.1	16.5%
Total Sources	27,185.5	29,214.3	7.5%	30,677.9	5.0%	32,823.8	7.0%

Source: Ohio Office of Budget and Management, February 2013

Estimated Expenditures and Recommendations by Agency
General Revenue Fund, FYs 2013, 2014, 2015

State Agency	FY 2013 Estimate	FY 2014 Recommendations	% Change		FY 2015 Recommendations	% Change
Education						
Arts Council	9,605,704	9,599,204	-0.1%		9,599,204	0.0%
Education, Department of	6,538,946,944	6,893,183,496	5.4%	[a]	7,091,094,651	2.9%
Etech Ohio Commission	12,253,394	0	-100.0%	[a]	0	0.0%
Historical Society	7,762,091	7,871,521	1.4%		8,371,521	6.4%
Library Board	5,764,270	5,759,947	-0.1%		5,759,947	0.0%
Ohioana Library Association	120,000	135,000	12.5%		140,000	3.7%
Regents, Board of	2,307,974,102	2,322,959,052	0.6%	[a]	2,376,131,797	2.3%
Facilities Construction/School Facilities Comm	332,587,358	387,408,251	16.5%	[b]	409,464,951	5.7%
State School for The Blind	7,278,579	7,278,579	0.0%		7,278,579	0.0%
State School for The Deaf	8,727,657	8,727,657	0.0%		8,727,657	0.0%
Total Education	**9,231,020,099**	**9,642,922,707**	**4.5%**		**9,916,568,307**	**2.8%**
Health and Human Services						
Aging, Department of	14,547,425	14,547,425	0.0%		14,547,425	0.0%
Alcohol and Drug Addition Services, Dept. of	7,889,633	0	-100.0%	[c]	0	0.0%
Health, Department of	85,720,926	85,720,926	0.0%		85,720,926	0.0%
Hispanic-Latino Affairs, Commission on	324,922	324,922	0.0%		324,922	0.0%
Job and Family Services, Department of	12,926,640,150	752,298,675	-94.2%	[d]	752,298,675	0.0%
Job and Family Services State	*5,290,840,932*	*714,096,118*	*-86.5%*		*714,096,118*	*0.0%*
Job and Family Services Federal	*7,635,799,218*	*38,202,557*	*-99.5%*		*38,202,557*	*0.0%*
Legal Rights Service	42,872	0	-100.0%	[e]	0	0.0%
Medicaid, Department of	0	14,547,998,048	0.0%	[d]	16,259,120,217	11.8%
Medicaid State	*0*	*5,124,686,536*	0.0%		*5,269,117,803*	2.8%
Medicaid Federal	*0*	*9,423,311,512*	0.0%		*10,990,002,414*	16.6%
Mental Health and Addiction Services, Department	307,086,335	315,711,367	2.8%	[c]	315,944,767	0.1%
Developmental Disabilities, Department of	513,656,934	520,186,339	1.3%		525,937,865	1.1%
Minority Health, Commission on	1,580,637	1,580,637	0.0%		1,580,637	0.0%
Opportunities for Ohioans with Disabilities Agency	13,211,069	15,956,070	20.8%	[a]	15,956,070	0.0%
Service and Volunteerism, Commission on	126,664	286,661	126.3%		294,072	2.6%
Veterans' Services, Department of	39,590,944	37,021,444	-6.5%		39,393,644	6.4%
Veterans' Organizations	1,887,986	1,887,986	0.0%		1,887,986	0.0%
Total Health and Human Services	**13,912,306,497**	**16,293,520,500**	**17.1%**		**18,013,007,206**	**10.6%**
State Total	*6,276,507,279*	*6,832,006,431*	*8.9%*		*6,984,802,235*	*2.2%*
Federal Total	*7,635,799,218*	*9,461,514,069*	*23.9%*		*11,028,204,971*	*16.6%*
Justice and Public Protection						
Adjutant General	9,359,648	8,594,883	-8.2%		8,594,883	0.0%
Civil Rights Commission	4,725,784	4,725,784	0.0%		4,725,784	0.0%
Ethics Commission	1,409,751	1,409,751	0.0%		1,381,556	-2.0%
Inspector General, Office of	1,125,598	1,650,598	46.6%	[f]	1,525,598	-7.6%
Public Defender Commission	6,674,425	14,430,966	116.2%		14,566,485	0.9%
Public Safety, Department of	0	10,500,000	0.0%	[f]	10,500,000	0.0%
Rehabilitation and Correction, Department of	1,480,691,448	1,487,839,928	0.5%		1,479,794,707	-0.5%
Youth Services, Department of	228,733,563	231,048,263	1.0%		232,823,163	0.8%
Total Justice and Public Protection	**1,732,720,217**	**1,760,200,173**	**1.6%**		**1,753,912,176**	**-0.4%**
General Government/Tax Relief						
Administrative Services, Department of	148,005,736	158,052,951	6.8%	[f]	163,247,551	3.3%
Budget and Management, Office of	3,402,418	4,741,675	39.4%	[f]	4,601,054	-3.0%
Capital Square Review and Advisory Commission	1,801,408	3,578,565	98.7%		3,578,565	0.0%
Controlling Board	475,000	475,000	0.0%		475,000	0.0%
Cultural Facilities Commission	28,563,636	0	-100.0%	[b]	0	0.0%
Elections Commission	333,117	333,117	0.0%		333,117	0.0%
State Employment Relations Board	3,761,457	3,761,457	0.0%		3,761,457	0.0%
Tax Appeals, Board of	1,700,000	1,700,000	0.0%		1,700,000	0.0%
Tax Relief Programs	1,736,000,000	1,805,440,000	4.0%		1,877,657,600	4.0%
Taxation, Department of	74,202,146	71,246,530	-4.0%	[f]	68,146,532	-4.4%
Total General Government /Tax Relief	**1,998,244,918**	**2,049,329,295**	**2.6%**		**2,123,500,876**	**3.6%**

Estimated Expenditures and Recommendations by Agency
General Revenue Fund, FYs 2013, 2014, 2015

State Agency	FY 2013 Estimate	FY 2014 Recommendations	% Change		FY 2015 Recommendations	% Change
Executive, Legislative, and Judicial Branches						
Attorney General	44,203,589	45,703,589	3.4%		45,703,589	0.0%
Auditor of State	28,234,452	28,234,452	0.0%		28,234,452	0.0%
Court of Claims	2,501,052	2,501,052	0.0%		2,501,052	0.0%
Governor, Office of the	2,851,552	2,851,552	0.0%		2,851,552	0.0%
House of Representatives	21,031,091	21,031,091	0.0%		21,031,091	0.0%
Joint Committee on Agency Rule Review	435,168	455,858	4.8%		456,376	0.1%
Joint Legislative Ethics Committee	550,000	550,000	0.0%		550,000	0.0%
Judicial Conference	801,700	824,900	2.9%		847,200	2.7%
Judiciary/Supreme Court	136,308,695	141,602,706	3.9%		143,818,909	1.6%
Legislative Service Commission	21,350,530	21,500,530	0.7%		21,500,530	0.0%
Secretary of State	2,378,226	2,378,226	0.0%		2,378,226	0.0%
Senate	11,947,822	11,947,822	0.0%		11,947,822	0.0%
Treasurer of State	29,318,459	29,206,559	-0.4%		29,206,559	0.0%
Total Executive Legislative and Judicial Branch	**301,912,336**	**308,788,337**	**2.3%**		**311,027,358**	**0.7%**
Transportation and Development						
Agriculture, Department of	14,554,231	15,254,231	4.8%		15,054,231	-1.3%
Development Services Agency	117,789,745	114,060,145	-3.2%		135,126,145	18.5%
Expositions Commission	1,250,000	250,000	-80.0%	[g]	250,000	0.0%
Public Works Commission	237,868,400	261,186,900	9.8%		263,396,600	0.8%
Transportation, Department of	10,050,000	10,050,000	0.0%		10,050,000	0.0%
Total Transportation and Development	**381,512,376**	**400,801,276**	**5.1%**		**423,876,976**	**5.8%**
Environment and Natural Resources						
Environmental Protection Agency	0	10,923,093	0.0%	[f]	10,923,093	0.0%
Environmental Review Appeals	545,530	545,530	0.0%		545,530	0.0%
Natural Resources, Department of	97,384,351	105,180,489	8.0%		108,618,536	3.3%
Total Environment and Natural Resources	**97,929,881**	**116,649,112**	**19.1%**		**120,087,159**	**2.9%**
Grand Total	**27,655,646,324**	**30,572,211,400**	**10.5%**		**32,661,980,058**	**6.8%**
State Total	***20,019,847,106***	***21,110,697,331***	***5.4%***		***21,633,775,087***	***2.5%***
Federal Total	***7,635,799,218***	***9,461,514,069***	***23.9%***		***11,028,204,971***	***16.6%***

[a] Etech Ohio Commission is merged into Education, Board of Regents and Opportunities for Ohioans with Disabilities.
[b] Cultural Facilities Commission merged with Facilities Construction Commission.
[c] Alcohol and Addiction Services and Mental Health merge to become Mental Health and Addiction Services.
[d] Medicaid programs currently in JFS are transferred to the new Department of Medicaid.
[e] LRS converted to a nonprofit organization in FY13.
[f] GRF appropriation increases in part as a result of non-GRF items shift.
[g] FY13 contains a one-time facility planning item.

Source: Ohio Office of Budget and Management, February 2013

Estimated Expenditures and Appropriations by Agency
All Funds, FYs 2013, 2014, 2015

State Agency	FY 2013 Estimate	FY 2014 Recommendations	% Change	FY 2015 Recommendations	% Change
Education					
Arts Council	11,099,704	11,093,204	-0.1%	11,093,204	0.0%
Education, Department of	9,891,200,844	10,489,555,983	6.0% [a]	10,773,761,418	2.7%
Etech Ohio Commission	14,682,506	0	-100.0% [a]	0	0.0%
Higher Education Facilities Commission	12,500	12,500	0.0%	12,500	0.0%
Historical Society	8,054,591	8,121,521	0.8%	8,621,521	6.2%
Library Board	21,602,746	21,273,052	-1.5%	21,378,736	0.5%
Ohioana Library Association	120,000	135,000	12.5%	140,000	3.7%
Career Colleges and Schools, Board of	579,328	579,328	0.0%	579,328	0.0%
Regents, Board of	2,374,444,407	2,374,605,244	0.0% [a]	2,421,827,850	2.0%
Facilities Construction/School Facilities Comm	350,533,434	405,621,593	15.7% [b]	427,678,293	5.4%
State School for The Blind	10,786,356	10,994,204	1.9%	10,994,204	0.0%
State School for The Deaf	10,989,402	11,080,902	0.8%	11,080,902	0.0%
Total Education	**12,694,105,818**	**13,333,072,531**	**5.0%**	**13,687,167,956**	**2.7%**
Health and Human Services					
Aging, Department of	92,049,185	93,149,185	1.2%	93,149,185	0.0%
Alcohol and Drug Addition Services, Dept. of	134,919,009	0	-100.0% [c]	0	0.0%
Commission of Service and Volunteerism	7,665,112	7,763,661	1.3%	7,771,072	0.1%
Health, Department of	643,441,244	648,717,859	0.8%	651,871,702	0.5%
Hispanic-Latino Affairs, Commission on	349,480	349,480	0.0%	349,480	0.0%
Industrial Commission	54,494,459	55,642,436	2.1%	54,428,168	-2.2%
Job and Family Services, Department of	21,890,450,429	3,567,474,992	-83.7% [d]	3,531,087,449	-1.0%
Legal Rights Service	1,798,034	0	-100.0% [e]	0	0.0%
Medicaid, Department of	0	21,463,401,538	0.0% [d]	23,644,612,707	10.2%
Mental Health and Addiction Services, Department of	676,772,861	644,936,996	-4.7% [c]	637,186,360	-1.2%
Developmental Disabilities, Department of	2,380,883,041	2,522,954,582	6.0%	2,682,428,711	6.3%
Minority Health, Commission on	1,819,740	1,745,637	-4.1%	1,745,637	0.0%
Opportunities for Ohioans with Disabilities Agency	256,614,645	251,624,133	-1.9% [a]	249,197,597	-1.0%
Veterans' Services, Department of	103,918,190	92,808,985	-10.7%	91,011,025	-1.9%
Veterans' Organizations	1,887,986	1,887,986	0.0%	1,887,986	0.0%
Workers' Compensation, Bureau of	286,760,404	283,610,000	-1.1%	267,083,900	-5.8%
Total Health and Human Services	**26,533,823,819**	**29,636,067,470**	**11.7%**	**31,913,810,979**	**7.7%**
Justice and Public Protection					
Adjutant General	51,813,528	45,495,633	-12.2%	45,495,633	0.0%
Civil Rights Commission	7,491,284	7,550,454	0.8%	7,677,767	1.7%
Ethics Commission	2,022,111	2,046,139	1.2%	2,022,556	-1.2%
Inspector General, Office of	2,672,133	2,500,598	-6.4%	2,350,598	-6.0%
Public Defender Commission	73,348,798	84,812,056	15.6%	86,273,882	1.7%
Public Safety, Department of	678,452,188	680,263,888	0.3%	682,707,792	0.4%
Rehabilitation and Correction, Department of	1,571,944,481	1,572,403,588	0.0%	1,559,868,556	-0.8%
Youth Services, Department of	250,395,314	249,413,470	-0.4%	247,505,930	-0.8%
Total Justice and Public Protection	**2,638,139,837**	**2,644,485,826**	**0.2%**	**2,633,902,714**	**-0.4%**
General Government/Tax Relief					
Employee Benefits Funds	1,479,842,591	1,582,267,026	6.9%	1,692,851,989	7.0%
Administrative Services, Department of	482,891,954	497,667,012	3.1%	487,057,678	-2.1%
Budget and Management, Office of	27,181,059	28,118,191	3.4%	28,455,693	1.2%
Capital Square Review and Advisory Commission	5,689,689	7,253,596	27.5%	7,195,596	-0.8%
Casino Control Commission	10,527,983	13,121,283	24.6%	13,542,674	3.2%
Commerce, Department of	783,827,833	175,786,086	-77.6%	175,632,191	-0.1%
Consumers' Counsel, Office of	5,641,093	5,641,093	0.0%	5,641,093	0.0%
Controlling Board	10,475,000	10,475,000	0.0%	10,475,000	0.0%
Deposit, Board of	1,876,000	1,876,000	0.0%	1,876,000	0.0%
Medical Transportation Board	9,172,062	9,172,062	0.0%	9,172,062	0.0%
Cultural Facilities Commission	29,424,527	0	-100.0% [b]	0	0.0%

Estimated Expenditures and Appropriations by Agency
All Funds, FYs 2013, 2014, 2015

State Agency	FY 2013 Estimate	FY 2014 Recommendations	% Change	FY 2015 Recommendations	% Change
Elections Commission	558,117	558,117	0.0%	558,117	0.0%
Insurance, Department of	36,880,720	39,205,223	6.3%	36,545,157	-6.8%
Liquor Control Commission	754,146	784,376	4.0%	796,368	1.5%
Lottery Commission	346,488,853	335,475,593	-3.2%	333,578,528	-0.6%
Petrol. Undergd Storage Tank Release Comp. Bd.	1,214,014	1,233,249	1.6%	1,252,202	1.5%
Professional Licensing Boards	33,220,592	33,807,354	1.8%	33,481,161	-1.0%
Public Utilities Commission	92,713,767	71,646,302	-22.7%	53,254,528	-25.7%
Racing Commission	24,929,086	28,429,086	14.0%	28,429,086	0.0%
Revenue Distribution Funds	4,726,718,096	4,824,132,626	2.1%	4,929,808,268	2.2%
Sinking Fund, Commissioners of	1,059,351,800	1,083,646,500	2.3%	1,159,347,600	7.0%
State Employment Relations Board	3,848,532	3,846,457	-0.1%	3,846,457	0.0%
Tax Appeals, Board of	1,700,000	1,700,000	0.0%	1,700,000	0.0%
Tax Relief Programs	1,736,000,000	1,805,440,000	4.0%	1,877,657,600	4.0%
Taxation, Department of	1,704,183,487	1,708,926,790	0.3%	1,706,526,792	-0.1%
Total General Government/Tax Relief	**12,615,111,001**	**12,270,209,022**	**-2.7%**	**12,598,681,840**	**2.7%**
Executive, Legislative, and Judicial Branches					
Attorney General	250,790,204	244,180,008	-2.6%	246,176,836	0.8%
Auditor of State	74,843,701	72,430,518	-3.2%	72,453,464	0.0%
Court of Claims	3,514,808	2,916,608	-17.0%	2,917,005	0.0%
Governor, Office of the	3,216,701	3,216,701	0.0%	3,216,701	0.0%
House of Representatives	22,502,604	22,502,604	0.0%	22,502,604	0.0%
Joint Committee on Agency Rule Review	435,168	455,858	4.8%	456,376	0.1%
Joint Legislative Ethics Committee	650,000	700,000	7.7%	700,000	0.0%
Judicial Conference	1,186,700	1,209,900	2.0%	1,232,200	1.8%
Judiciary/Supreme Court	143,810,758	148,452,850	3.2%	150,694,818	1.5%
Legislative Service Commission	21,590,530	21,740,530	0.7%	21,740,530	0.0%
Secretary of State	24,774,688	19,499,826	-21.3%	19,499,826	0.0%
Senate	12,834,320	12,834,320	0.0%	12,834,320	0.0%
Treasurer of State	41,002,957	40,826,616	-0.4%	40,826,616	0.0%
Total Executive, Legislative, and Judicial Branche	**601,153,139**	**590,966,339**	**-1.7%**	**595,251,296**	**0.7%**
Transportation and Development					
Agriculture, Department of	61,955,410	52,376,557	-15.5%	52,207,617	-0.3%
Development Services Agency	1,205,097,799	1,292,205,091	7.2%	1,245,420,935	-3.6%
Expositions Commission	14,348,000	13,379,000	-6.8% [g]	13,379,000	0.0%
Housing Finance Agency	12,405,084	12,156,982	-2.0%	12,156,982	0.0%
Public Works Commission	239,363,935	314,670,985	31.5%	316,891,800	0.7%
Southern Ohio Agriculture Redevelopment	426,800	426,800	0.0%	426,800	0.0%
Transportation, Department of	2,858,564,193	3,005,212,922	5.1%	3,142,249,998	4.6%
Total Transportation and Development	**4,392,161,221**	**4,690,428,337**	**6.8%**	**4,782,733,132**	**2.0%**
Environment and Natural Resources					
Air Quality Development Authority	867,893	1,752,893	102.0%	1,977,893	12.8%
Environmental Protection Agency	222,642,539	202,652,509	-9.0%	205,756,723	1.5%
Environmental Review Appeals Commission	545,530	545,530	0.0%	545,530	0.0%
Lake Erie Commission	745,893	523,942	-29.8%	539,637	3.0%
Natural Resources, Department of	325,482,818	329,641,676	1.3%	334,297,664	1.4%
Total Environment and Natural Resources	**550,284,673**	**535,116,550**	**-2.8%**	**543,117,447**	**1.5%**
Grand Total	**60,024,779,508**	**63,700,346,075**	**6.1%**	**66,754,665,364**	**4.8%**

[a] Etech Ohio Commission is merged into Education, Board of Regents and Opportunities for Ohioans with Disabilities.
[b] Cultural Facilities Commission merged with Facilities Construction Commission.
[c] Alcohol and Addiction Services and Mental Health merge to become Mental Health and Addiction Services.
[d] Medicaid programs currently in JFS are transferred to the new Department of Medicaid.
[e] LRS converted to a nonprofit organization in FY13.
[g] FY13 contains a one-time facility planning item.

Source: Ohio Office of Budget and Management, February 2013
Note: Does Not Include Capital Spending or Capital Appropriations

Estimated General Revenue Fund Balances
For Fiscal Years 2014 and 2015
(Dollars in Millions)

FY 2014	
Estimated FY 2014 Beginning Balance	**146.1**
Plus Estimated FY 2014 Revenues and Transfers to the GRF	30,677.9
Total Sources Available for Expenditure and Transfer	30,824.0
Less Recommended FY 2014 Appropriations	30,572.2
Less GRF Transfers Out	91.4
Total Uses	30,663.6
Estimated FY 2014 Ending Balance	**160.4**
FY 2015	
Estimated FY 2015 Beginning Balance	**160.4**
Plus Estimated FY 2015 Revenues and Transfers to the GRF	32,823.8
Total Sources Available for Expenditure and Transfer	32,984.2
Less Recommended FY 2015 Appropriations	32,662.0
Less GRF Transfers Out	130.9
Total Uses	32,792.8
Net Estimated Unreserved, Undesignated FY 2015 Ending Balance	**191.3**

Source: Ohio Office of Budget and Management, February 2013